Summary of H.R. 1261 – Republican Bill Reauthorizing WIA, Adult Education and Vocational Rehabilitation As reported Full Committee

Chairman McKeon introduced the Republican WIA (Workforce Investment Act) reauthorization bill on March 13. H.R. 1261 was reported by the Education and the Workforce Committee on March 27, 2003 on a party-line vote. **This proposal fails to provide for extended unemployment benefits and doesn't create jobs.** In addition, the proposal is nearly identical to the Administration's WIA reauthorization proposal, including its provisions to block grant adult, dislocated worker and employment service funding and repealing Wagner Peyser; to reduce and restrict services for in-school youth, funding one-stop center infrastructure costs through State determined required contributions of mandatory partners, and allowing discrimination in hiring. This bill also reauthorizes the programs under the Rehabiliation Act of 1973 (Rehab Act) and the Adult Education and Family Literacy Act (AEFLA).

WIA

No Job Creation/Extension of Unemployment Benefits. The bill fails to create job opportunities or extend unemployment benefits – true needs of the American worker.

Eliminates dedicated funding for unemployed workers and dislocated workers: At a time when efforts should be made to match unemployed workers with jobs, HR 1261 would eliminate the Employment Service, which provides these services. This is one of the programs that provide critical job assistance to the unemployed workers hardest hit by the current recession. This is the worst time to cut separate funding for the unemployed and dislocated workers.

Steals money from Disability and Veteran Employment and Adult Learning programs to fund Infrastructure Costs. The Republican bill permits Governors to take funds from partner programs such as Adult Education, and Veterans Reemployment and job training programs for individuals with disabilities to fund infrastructure expenses at WIA's system of one-stop centers. Governors would be able to take any amount of funding from any of these programs, jeopardizing services to the most vulnerable populations. HR 1261 will result in more bureaucracy and less training.

Reduced and Restricted Services for in-school youth – The Republican bill would cap participation for in school youth at 30 percent. These are the very youth that are most likely to drop out if they don't receive services. Services that would be dropped as a result of the Republican plan include summer employment opportunities, mentoring, and job counseling. Under current law, both in school and out of school youth are served.

Block Grants Adult, Dislocated Worker and Employment Service Funding Steams. The Republican bill would block grant these funding streams, eliminating the funding focus for dislocated workers and terminates the existence of the employment service – the very service which connects individuals to jobs.

Eliminates Quality Standards for Training Providers – Under current law, training providers are required to meet performance goals regarding student program completion, wages earned, etc. and provide information on their performance. The Republican bill would eliminate these requirements in favor of a loosely defined Governor-developed system. The Republican bill eliminates accountability in determining which providers are eligible training providers.

Repeals current civil rights protections. The Republican bill eliminates current civil rights protections for employees of job training organizations. The Republican bill would allow organizations receiving funds under WIA to discriminate in hiring based on religion.

Rehabilitation Act of 1973

The biggest change impacting Vocational Rehabilitation programs is the required funding of one-stop infrastructure costs by the mandatory partners (as described above). In addition, the bill reauthorizes programs under the Act, including State grant programs under Title I of the Act.

Adult Education

The bill reauthorizes the Adult Education State grant program. The bill strengthens the focus of adult education programs on basic literacy skills.

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CRS Report for Congress

Received through the CRS Web

Job Training Under the Workforce Investment Act: An Overview

Ann Lordeman
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Summary

The President signed P.L. 105-220, the Workforce Investment Act of 1998 (WIA), on August 7, 1998. The intent of this legislation is to consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs. Among other things, WIA repealed the Job Training Partnership Act (JTPA), the country's chief training legislation, on July 1, 2000, and replaced it with new training provisions under Title I of WIA. The funding authorization for WIA programs expires on September 30, 2003. The focus of this report is on Title I of WIA, and is intended to provide background information as the 108th Congress considers reauthorization legislation. This report will not be updated.

Introduction

The 105th Congress passed the Workforce Investment Act of 1998 to respond to criticism that the United States does not have a coherent federal training system but rather a fragmented and duplicative array of programs. Both the House-passed Employment, Training, and Literacy Act of 1997 (H.R. 1385)[1] and the Senate-passed Workforce Investment Partnership Act (S. 1186)[2] included programs on job training, adult education

[1] H.R. 1385, The Employment, Training, and Literacy Act of 1997, was introduced by Representatives McKeon, Goodling, and Kildee on April 30, 1997, and referred to the Committee on Education and the Workforce. The bill was reported on May 8, 1997 (H.Rept. 105-93), and passed the House (amended) on May 16, 1997 by a vote of 343 to 60. H.R. 1385 passed the Senate in lieu of S. 1186 May 5, 1998, by a vote of 91-7. The conference committee on H.R. 1385, the Workforce Investment Act of 1998, issued its report (H.Rept. 105-659) on July 29,1998. The Senate agreed to the conference report on July 30, 1998 by unanimous consent, and the House agreed to it on July 31, 1998, without objection. The bill was signed into law on August 7, 1998 (P.L. 105-220).

[2] S. 1186, The Workforce Investment Partnership Act, was introduced by Senators DeWine,
(continued...)

and literacy, vocational rehabilitation, and the employment service. The Senate bill also included vocational education, while the House bill and the bill as enacted did not. The Workforce Investment Act of 1998 (P.L. 105-220) was signed into law on August 7, 1998. Technical and conforming amendments were made to WIA by the Omnibus Consolidated and Emergency Supplemental Appropriations, 1999 (P.L. 105-277).

The Workforce Investment Act of 1998 does the following:

- repeals the Job Training Partnership Act (JTPA) and replaces it with Title I of the bill, Workforce Investment Systems;[3] and Title V, General Provisions;
- repeals the Adult Education Act and replaces it with Title II of the bill, Adult Education and Literacy Act;[4]
- amends the Wagner-Peyser Act (Employment Service) in Title III-A of the bill;[5] and
- amends the Rehabilitation Act of 1973 (vocation rehabilitation) in Title IV of the bill.[6]

The focus of this report is on Title I of WIA, the Act's job training provisions.

Major Job Training Features

Structure of State and Locally Administered Programs. WIA establishes a state workforce investment board (WIB) to assist the Governor in developing a 5-year state plan and in other activities related to developing a statewide workforce investment system. This board is somewhat similar to the State Job Training Coordinating Council (SJTCC) under JTPA. Under both WIA and JTPA, participants include the Governor, members of the state legislature, representatives of business, chief elected officials, and representatives of labor organizations, among others. Since WIA, however, has more specific membership requirements than JTPA had, WIBs could be larger than SJTCCs. Also, unlike the SJTCC, a majority of participants and the chairperson must be from the business sector.

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[2] (...continued)
Jeffords, Kennedy, and Wellstone on September 17, 1997, and referred to the Committee on Labor and Human Resources. The bill was reported on October 15, 1997, (amended) (S.Rept. 105-109). The language of S. 1186, as amended, was inserted in H.R. 1385 by the Senate on May 5, 1998.

[3] For a brief summary of programs authorized under Title I of WIA, see CRS Report RS20244, *The Workforce Investment Act: Training Programs Under Title I at a Glance,* by Ann Lordeman.

[4] For information, see CRS Report RL30106, *Adult Education and Family Literacy Act, Title II of the Workforce Investment Act of 1998, P.L. 105-220*, by Paul M. Irwin.

[5] The intent of the amendments is to more fully integrate employment services into the state's workforce system.

[6] For information on the amendments to the Rehabilitation Act, see CRS Report RL31298, *Rehabilitation Act: Summary of 1998 Reauthorization Legislation*, by Carol O'Shaughnessy.

One function of the state board is to assist the Governor in the designation of local workforce investment areas. These areas are similar in structure to the service delivery areas established under JTPA. Under WIA, a request for designation from any unit of general local government with a population of 500,000 or more is automatically approved; under JTPA, the threshold for automatic designation was a population of 200,000. In addition, WIA requires the Governor to approve a request for temporary designation as a local area from any unit, or combination of units, of local government with a population of 200,000 or more that was a service delivery area under JTPA and performed successfully and sustained fiscal integrity in the use of JTPA funds.

Within each local area, a local WIB is certified by the Governor. These local boards are similar in function to the Private Industry Councils (PICs) established under JTPA, but have broader responsibility for developing a local workforce investment system. In addition, WIA has more specific membership requirements than JTPA had, so that WIBs might be larger than PICs. WIA also requires each local board to establish a youth council as a subgroup of the board to develop the youth portion of the local plan, to recommend eligible providers of youth activities, and to coordinate youth activities in the local area. Unlike PICs under JTPA, a local board is prohibited from providing training services, such as occupational training, unless it obtains a waiver from the Governor. A local board may provide "core services," such as job search assistance, or "intensive services," such as comprehensive assessments, with the agreement of the local elected official and the Governor.

State Administered Programs. Under JTPA, there were four state administered programs: adult training, summer youth employment and training, youth training, and economic dislocation and worker adjustment assistance, i.e., dislocated worker program, each with its own funding stream. Under the WIA, the summer youth program is eliminated as a separately funded program, but local areas are required to provide summer employment opportunities that are directly linked to academic and occupational learning. Separate funding streams remain for adult and dislocated worker activities.[7]

State[8] and Local Allocations. WIA allocates funds to states for **adult and youth activities** using the same JTPA formula[9] that allots one-third on the basis of the relative[10] number of unemployed individuals residing in areas of substantial unemployment (at least 6.5%), one-third on the basis of the relative "excess" number of unemployed individuals (more than 4.5% of the civilian labor force), and one-third on

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[7] Not more than 10% of funds allocated to local areas under each of the three funding streams can be used for administrative costs. The administrative funds from each of the funding streams can be pooled into one account for local administration. Under JTPA, not more than 20% could be used for administrative costs. Also, there was no provision for pooling administrative funds from various funding streams into one account. Under WIA, the Secretary of Labor shall define the term "administrative costs."

[8] For a more detailed description of how funds are allotted to states, see [http://www.doleta.gov/budget/statfund.asp].

[9] The main differences from JTPA are in provisions related to allocations to outlying areas and to small state minimums.

[10] The word "relative" as used in this report means the number of individuals in a state compared to the total number in all states.

the basis of the relative number of "economically disadvantaged" adults. Of the funds allocated to the state for adult and youth programs, the Governor can reserve not more than 15% for state activities (e.g., technical assistance to local areas).[11] The remainder of the funds are allocated to the local areas.

JTPA mandated that states allocate adult and youth funds to local areas using the same formulas used to allocate funds to the states. Under WIA, this remains the case for not less than 70% of funds allocated to local areas. The remainder of the adult and youth funds allocated to local areas can be allocated based on formulas (developed by the State board and approved by the Secretary of Labor as part of the state plan) that take into account factors relating to excess poverty or excess unemployment above the state average in local areas.

Of funds appropriated for services to **dislocated workers**, the Secretary of Labor reserves 20% to provide technical assistance, demonstration projects, and national emergency grants to states or local boards (as was the case in JTPA). WIA also allocates funds to states for dislocated workers using the same JTPA formula that allots one-third on the basis of the relative number of unemployed individuals, one-third on the basis of the relative "excess" number of unemployed individuals, and one-third on the basis of the relative number of individuals who have been unemployed for 15 weeks or more.

At the state level, funds for dislocated workers are distributed in the same manner as they were under JTPA. The Governor can reserve not more than 15% for state level activities, and not more than 25% for "rapid response" activities. At least 60% must be allocated to local areas by a formula prescribed by the Governor based on the following data: insured unemployment, unemployment concentrations, plant closings and mass layoffs, declining industries, farmer-rancher economic hardship, and long-term unemployment.

One-Stop Delivery System. Under WIA, each local board (with the agreement of the chief elected official) develops a "one-stop" system to provide core services and access to intensive services and training through at least one physical center, which may be supplemented by electronic networks. The law mandates that certain "partners," which are programs such as vocational education, welfare-to-work, and vocational rehabilitation, provide "applicable" services through the one-stop system.[12] Partners must enter into written agreements with the local boards regarding services to be provided, the funding of the services and operating costs of the system, and methods of referring individuals among partners. A one-stop operator, which could be a single entity or a consortium of entities, must be designated by the board through a competitive process or through an agreement between the board and a consortium of at least three partners.

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[11] Funds for state administrative costs come from the amounts reserved for state activities under each of the three state funding streams, and cannot be not more than 5% of the total state allotment. In addition, the administrative funds from each of the funding streams can be pooled into one account for state administration.

[12] In addition to the "mandatory" partners, WIA also specifies optional partners, which could included entities that administer Temporary Assistance for Needy Families (TANF).

Youth Activities (Subtitle B, Chapter 4). Under WIA, low income youth receive services similar to those authorized under JTPA, such as tutoring and study skills training, alternative high school services, and summer youth opportunities. Services to youth must be provided through grants to providers made on a competitive basis (as they were under JTPA). At least 30% of the funds allocated to local areas have to be spent on youth activities for out-of-school youth.

Adult and Dislocated Worker Activities (Subtitle B, Chapter 5). Under WIA, one set of services and one delivery system is authorized for both "adults" and for "dislocated workers," but funds are appropriated separately for the two groups. Under JTPA, there was one list of authorized services under the adult training program and another list under the dislocated worker program, and there could be separate delivery systems.

WIA funds three levels of services: core services, intensive services and training services. Anyone age 18 and older is eligible to receive **core services**, such as outreach, initial assessment of skills and needs, and job search and placement assistance. To be eligible to receive **intensive services**, such as comprehensive assessments and development of individual employment plans, an individual has to have received at least one core service.[13] To be eligible to receive training services, such as occupational skills training and on-the job training, an individual has to have received at least one intensive service, have been unable to obtain or retain employment through such services, have the skills and qualifications to successfully participate in a selected training program, select training programs that are directly linked to employment opportunities in the local area and be unable to obtain other grant assistance, including Pell grants, or need assistance above the levels provided by such other grants.

Unlike JTPA, income is not a criteria for any WIA service. However, if a local area determines that *adult* funds are limited, priority for intensive and training services must be given to recipients of public assistance and low-income individuals.

Individual Training Accounts. Adult and dislocated worker training is to be provided primarily though "individual training accounts." The purpose of individual training accounts is to provide individuals with the opportunity to choose training courses and providers. The one-stop operator is responsible for arranging payment to the training provider.

Eligible Training Providers. Eligible providers are entities who meet minimum requirements established by the Governor. Initially, all institutions eligible to participate in the student aid program of Title IV of the Higher Education Act and those entities that carry out programs under the National Apprenticeship Act are automatically eligible to provide training services. Subsequent eligibility is contingent on meeting performance standards.[14] Local boards retain a list of eligible providers along with performance and

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[13] There is no federally-required minimum time period for participation in core services before receiving intensive services or for participation in intensive services before receiving training, however the federal regulations for WIA do not preclude local workforce investment boards from establishing minimum time periods for each level of service.

[14] For some performance measures, such as program completion and wages at completion, WIA requires providers to collect data on all training participants, not just those funded under WIA.

cost information. Individuals who have individual training accounts may choose providers from this list in consultation with a case manager.

Performance Accountability. Under WIA, there are 15 core indicators of performance for adults, dislocated workers, and youth and two indicators of customer satisfaction. The state levels of performance are negotiated with the Secretary of Labor and the local levels, in turn, are negotiated with the Governors. Technical assistance and sanctions in the form of reduced state allotments may be used by the Secretary in the case of poor performance. States may receive incentive grants if they exceed performance standards for adult, dislocated worker, youth, adult education and vocational education programs.

Federally Administered Programs. WIA continues most federally administered programs, including Job Corps (Subtitle C), Native Americans, migrant and seasonal farmworkers, and veterans' employment (Subtitle D, Sections 166, 167, and 168, respectively). WIA makes relatively minor changes to these programs, except for Job Corps where more extensive changes are made to help assure that youth are placed in centers closest to their homes; strengthen linkages between centers and local communities; and establish performance measures and expected performance levels.

State Reforms. Under WIA, a state that enacted a statute prior to December 31, 1997 that relates to the designation of service delivery areas, or sanctioning of local areas for poor performance is, in general, allowed to continue operating under the state statute. Further, the Secretary of Labor can waive a range of statutory and regulatory requirements upon request from the state.[15] WIA also permits states to request authority from the Secretary to waive certain statutory and regulatory requirements applicable to local areas. This authority is generally referred to as "work-flex."

Unified State Plan. Under Title V of WIA, states can submit "unified plans" that include up to 14 programs specified in the statute, such as employment and training programs authorized under the Wagner-Peyser Act, the Food Stamp Act, and the Rehabilitation Act, in order to promote coordination and avoid duplication of workforce development activities. States submitting unified plans are not required to submit any other plan to receive federal funds for the programs covered in the unified plan.

Authorization. Under WIA, the authorization level for most programs is for such sums as necessary for each of the fiscal years 1999 through 2003. As with JTPA, appropriations for any fiscal year will be available only on the basis of a program year that begins on July 1 in the fiscal year for which the appropriation is made, i.e., FY1999 funds are available from July 1, 1999 through June 30, 2000.

Implementation. WIA became effective when it was signed into law. States could implement the Act as early as July 1, 1999, if they had approved state plans by that time. All states were required to implement the Act by July 1, 2000.

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[15] Requirements that cannot be waived are those related to wage and labor standards, including nondisplacement protections, worker rights, participation and protection of workers and participants, grievance procedures and judicial review, nondiscrimination, allocation of funds to local areas, eligibility of providers or participants, the establishment and functions of local areas and local boards, and procedures for review and approval of plans.

PVA
PARALYZED VETERANS OF AMERICA

April 2, 2003

The Honorable Christopher Smith
Chairman
House Veterans Affairs Committee
335 Cannon HOB
Washington, DC 20515

Dear Mr. Chairman:

On behalf of Paralyzed Veterans of America (PVA), I am writing to express our deep misgivings about a measure approved on March 27th by the Education and the Workforce Committee that could harm current efforts to prepare veterans and people with disabilities for employment. Section 108 of HR 1261, the Workforce Reinvestment and Adult Education Act of 2003, would give states unrestricted authority to take funds from "mandatory partners" under the Workforce Investment Act (WIA) to support the general operations of state workforce systems. Among the mandatory partners in WIA are veterans employment programs authorized under Chapter 41, Title 38, as well as state agencies authorized under Title I of the Vocational Rehabilitation Act of 1973.

Many PVA members and other veterans depend on Disabled Veterans Outreach Programs (DVOPs), Local Veterans Employment Representatives (LVERS) and state vocational rehabilitation agencies (VRAs) that would be affected by HR 1261. These programs are already underfunded. They strive to meet the increasing demands placed upon them in an environment of increasingly inadequate resources. They cannot sustain the potentially devastating cuts in funding that HR 1261 would allow.

HR 1261 was rushed through the Education and Workforce Committee in a matter of weeks with little consideration given to the impact it will have on veterans, people with disabilities and many vulnerable populations in need of employment assistance. It gives no assurance that the redirected funds will be used to increase access or provide services to these individuals.

This bill could be scheduled for a vote on the floor of the House before the next Congressional recess. Thousands of men and women now risking their lives for this nation may someday need the assistance of the DVOPs, LVERs and state VRAs. HR 1261 could deny them that help.

Vote NO on HR 1261.

Sincerely,

Delatorro L. McNeal
Executive Director

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Sincerely,

Delatorro L. McNeal
Executive Director

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Office of the Democratic Whip Steny Hoyer

MEDIA RELEASE

For Immediate Release
May 2, 2003

Contact: Stacey Farnen
202-225-3130

HOYER PANS HOUSE GOP TAX PLAN

Questions President's Call for Tax Cuts
that Will Explode Deficit, Hurt Economy

WASHINGTON – House Democratic Whip Steny Hoyer released the following statement today regarding the House GOP tax plan and President Bush's Silicon Valley remarks:

"Democrats agree with President Bush's comments today that our country needs a 'bold recovery package so people can find work.' But the tax proposals offered by both President Bush and House Republicans are not bold; they're breathtakingly brash and irresponsible.

"Instead of putting people back to work, the Republican plan will put this country back in the red. Further, this GOP plan would spend billions of dollars on a capital gains tax cut that will drain the Social Security and Medicare trust funds and add more than half a trillion dollars to the national debt. What does that mean to the average American? First, average Americans expecting to benefit from a capital gains tax should not hold their breath; only 2 percent of taxpayers have three-fourths of all capital gains. Second, the additional debt means that we must spend billions more in interest on that debt rather than using those resources for homeland security, a prescription drug benefit for seniors and education.

"In sharp contrast to these GOP proposals, Democrats have offered a fast-acting, fiscally responsible plan that would provide tax cuts to hard-working American families who will spend it and businesses, and create 1 million new jobs. With unemployment hitting a nine-year high of 6 percent, Democrats have the right plan for getting American back to work.

"The President recently indicated his continuing support for Federal Reserve Chairman Alan Greenspan. I urge the President and the Republican leadership to take Chairman Greenspan's advice and not crush any hope of a vigorous economic recovery by creating a mountain of debt that leaves us hard-pressed to meet the needs of this and future generations."

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Committee on Ways and Means

Summary of Economic Growth & Jobs Package

Acceleration of previously enacted provisions

- ***Child credit*** – Increases child credit to $1,000 for 2003, 2004, and 2005.
- ***10 percent bracket*** – Accelerate the expansion of the 10 percent bracket for 2003, 2004, and 2005.
- ***Marriage penalty relief*** – Accelerate the expansion of the 15 percent bracket and the increase in the standard deduction for married persons filing joint returns for 2003, 2004, and 2005.
- ***Individual rate cuts*** – Accelerate the 2006 individual rate cut schedule to 2003. (Rates reduced from 28% to 25%; 31% to 28%; 36% to 33% and 39.6% to 35%.)
- ***Increase individual AMT exemption amount*** – Increases the AMT exemption amount by $5,000 for single persons and $10,000 for joint filers for 2003, 2004 and 2005.

Business and investment incentives

- ***Bonus depreciation*** – Increase bonus depreciation from 30 percent to 50 percent and extend through June 30, 2005.
- ***Small business expensing*** – For 2003, 2004, and 2005, increase the amount the small businesses can expense (immediately deduct) from $25,000 to $75,000. Increase definition of small business from $200,000 of capital purchases to $325,000. Provision is indexed for inflation.
- ***Net operating loss carryback*** – Extend the 5-year net operating loss carryback for two years (2003 and 2004) and hold taxpayers harmless for AMT.

Dividends and capital gains

- ***Dividend and capital gain tax rate reduction 5/15*** – Reduces the tax rate on dividends and capital gains to 5 percent for taxpayers in the lowest tax brackets and to 15 percent for all other taxpayers.

STATEMENT

FROM REPRESENTATIVE CHARLES B. RANGEL

Ranking Democrat, Committee on Ways and Means

FOR IMMEDIATE RELEASE   202/225-3526
CONTACT: Dan Maffei   Thursday, May 1, 2003

REP. RANGEL COMMENTS ON REPUBLICAN TAX PLAN UNVEILED TODAY

People are hurting. They are afraid of losing their jobs, losing their healthcare, having to take their kids out of daycare. And what do the House Republicans offer as a way to help our economy? A capital gains tax cut that mainly goes to wealthy investors. It's hard to find any middle-income family that has any capital gains these days.

Chairman Thomas' plan would dramatically increase deficits in order to enact tax breaks that economists have told us do not stimulate the economy. To stimulate the economy, the money has to go to families who will spend the money – not to wealthy investors. But Thomas' bill offers little to families. The so-called increase in the child credit is a hoax – like a magic trick, it's there and then it's gone again.

Chairman Greenspan tells us that any tax plan should increase the deficit as little as possible if it is to encourage economic growth. The more than half a trillion dollars that the Thomas tax plan will add to the national debt will squelch economic growth leading to more jobs loss.

I did not like the President's tax plan because it was unfair and did not stimulate the economy. By reducing the relief for families, the House Republicans have actually made it worse.

# # #

Office of Democratic Leader Nancy Pelosi

The Thomas Tax Plan:
Giveaways to the Wealthy, Gimmicks for Working Families, Gambling with the Economy

Last night, Rep. Thomas unveiled his tax plan that the Ways and Means Committee will mark up next week. Like the President's plan, it focuses on a reckless tax cut that will not create jobs and will hurt long-term economic growth by saddling our children with massive debt.

- **Thomas Plan Does Nothing to Create Jobs.** To jumpstart the economy, Democrats have a real economic growth plan that would create 1 million jobs in 2003. In contrast, the GOP plan only puts in place 9% of the tax cuts this year, when we need to get the economy moving again. Like the President's plan, the House GOP plan centers on a dividend tax cut – cutting the tax on stock dividends by more than 50% – even though there is a broad consensus among economists that reducing dividend taxes does not create jobs. In fact, Economy.com has rated this one of the least effective options in terms of stimulating economic growth. Bill Dudley, chief U.S. economist for Goldman Sachs has pointed out, "Rather than shoehorning the dividend plan in, they should be trying to shoehorn in the most amount of economic stimulus," ***(Washington Post, 4/5/03)*** The Thomas plan combines the dividend tax cut with a capital gains tax cut, which also is targeted to the wealthy and does not stimulate the economy in the near-term.

- **Irresponsibly Piles Up Debt.** Like the Bush economic blueprint, the House GOP plan is fiscally irresponsible, saddling our children with debt and hurting long-term economic growth. When the Bush Administration came into office, there was a projected $5.6 trillion 10-year surplus. With this tax package and the new budget, the GOP will have a record $1.4 trillion deficit over the next 10 years. More than 400 economists, as well as Federal Reserve Chairman Alan Greenspan, agree that these huge deficits actually threaten economic growth. Just yesterday, Greenspan reiterated, "if [through tax cuts]... you get significant increases in deficits which induce a rise in long-term interest rates, you will be significantly undercutting the benefits that would be achieved from the tax cuts."

- **Child Tax Credit is a Hoax**. Instead of making tax cuts for families a priority, Republicans make the increase in the child tax credit a temporary afterthought – so that the amount of the child tax credit will actually drop from $1000 in 2005 to $700 in 2006. Republicans are showing their true values and priorities by giving permanent tax breaks to the wealthy, while America's families get shortchanged. Even independent Senator Jim Jeffords said, "I am deeply disturbed by reports that the Republican leadership is willing to sacrifice increases in the child-tax credits that support our working families to make room for the President's dividend-tax-credit proposal."(AP, 5/1/03)

- **Risks Social Security to Make Room for Tax Cuts for the Wealthy.** When the President took office, the government was projected to save every dollar of the Social Security surplus. But under the GOP tax plan, Republicans would borrow and spend all of the money from the Social Security Trust Fund over the next 10 years, just as the Baby Boomers are about to retire. The long-term cost of the Republican tax cuts is *more than three times* the entire long-term Social Security shortfall. [CBPP, 3/5/03] And this is all to pay for tax cuts for the wealthy. The two provisions making up more than half of the tax package – cutting the tax on stock dividends by more than half and the capital gains tax cut – primarily benefit the wealthy and in fact are the only permanent tax cuts in the plan.

! **Crowds out Investments Important to Long-term Economic Growth.** Because of the huge tax cuts, the Republican economic plan fails to adequately invest in our nation's future and long-term economic growth – just like the President's plan. The GOP plan crowds out investment in education, training, infrastructure, and research and development to pay for the tax cuts for the wealthy. The GOP budget provides $9.7 billion less than the amount promised in the No Child Left Behind Act for educating our children for next year. The GOP budget includes $128 billion in unidentified spending cuts, which means that, under the GOP budget, such vital programs as education, job training, infrastructure, and research and development will all be subject to significant cuts.

! **Enron Accounting.** While the stated size of the tax package is slightly smaller than the President's ($550 billion), the House GOP is engaging in Enron accounting. The GOP package is full of gimmicks designed to hide the true cost to taxpayers, our future generations, and our economy. Specifically, the Thomas package makes temporary a number of popular tax provisions, including marriage penalty relief, the child tax credit and alternative minimum tax relief. Republicans say these will be extended, raising the cost of the package by tens of billion of dollars. Apparently, Ken Lay is not the only one cooking the books.

! **Fails to Include to Help State and Local Governments to Create Jobs.** Economy.com rates aid to the states as one of the most effective economic stimulus measures available – ranking state aid as having one of the highest "bangs for the buck." And yet the Bush/GOP economic plan – while calling for $1.2 trillion in new tax cuts – fails to include even one dollar for state aid. As a result of the bad economy, states are facing the worst fiscal crisis since World War II. Because the Bush Administration is refusing to provide any aid, states across the country are cutting education and health care programs and raising taxes and fees, which puts a drag on the economy. Therefore, the refusal of the GOP to include help to the states in their economic plan has the effect of undermining economic growth – rather than fostering it.

! **Fails to Help Unemployed Workers to Create Jobs.** Even though the economic slump continues, the GOP plan allows the extended unemployment benefits program to expire May 31 leading to millions of families being denied needed unemployment insurance. Not only would extending benefits help the families of nearly 4 million out-of-work Americans pay their bills, it would also efficiently jumpstart the economy by putting money into the pockets of consumers who will spend it. In fact, Economy.com estimates that this economic proposal has the most bang for the buck – promoting the most economic growth for the least amount of money.